

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Point Arena Water Works, Inc.
for an order authorizing a rate increase in
rates subject to refund producing additional
annual revenues of \$70,137 or 56.9% for the test
year 2002.

Application 02-11-057
(Filed November 25, 2002)

**ADMINISTRATIVE LAW JUDGE'S RULING
GRANTING IN PART MOTION TO COMPEL**

On May 19, 2003, the City of Point Arena (City) submitted a motion to compel discovery from Point Arena Water Works (PAWW). In its response to the motion, PAWW provided additional documents and explanation. At my request, the City provided an update to its motion on June 4, 2003, indicating that several items had been provided but that three items remained outstanding. After conferring with both the City and PAWW to refine the request, the remaining items are:

1. Employee Salary Records

The City seeks verification of amounts recorded as employee expense for PAWW, which appear to be contradicted by PAWW's assertions that it had no employees in 2000. Further explanation by PAWW shows that in 2000 PAWW had no employees, but that PAWW paid Bedrock, Inc. (Bedrock) for services performed by Bedrock

employees. Nevertheless, PAWW showed the expenses for Bedrock's services as employee expense in Accounts 630, 670, and 671.¹ The City would like to review supporting documentation for the time billed by Bedrock employees to PAWW, shown on attachment 3-E to Mr. Fleckles' June 8, 2003, letter. The City has agreed to limit its request to one month and it has selected February 2000. PAWW shall supply copies or make arrangements for the City to review the records upon which the hourly totals shown on attachment 3-E for February are based.

2. Payroll Tax

The City is attempting to verify payroll tax expenses and wishes to review all bills that were used to form the 2002 test year revenue requirement estimate. Further explanation from PAWW, however, has shown that PAWW does not directly pay payroll tax because it had no employees in 2000. Instead, PAWW pays Bedrock for services performed by Bedrock employees. The hourly rates charged by Bedrock, however, do not include other employment costs such as payroll tax or workers' compensation insurance. Consequently, these items must be separately accounted for so that the owners of Bedrock, who are also the shareholders of PAWW, may be reimbursed for these costs.²

¹ To the extent PAWW wishes to continue obtaining services from Bedrock, PAWW should obtain guidance from our accounting staff as to better accounting and billing practices for this arrangement.

² This reimbursement arrangement is far from ideal and unnecessarily complicates accounting and ratemaking. PAWW has indicated that it has implemented changes for 2003.

In its rate increase request, PAWW estimated that its payroll tax expense would be \$7,350. The Commission auditor found that PAWW's 2000 payroll tax would have been \$4,404, and the Commission staff allowed PAWW \$4,450 for test year 2002.

The City seeks information and documentation for payroll tax rates for 2002, and the PAWW has agreed to provide it.

3. Needed or Completed Major Repairs – Cost Estimate

Although PAWW has provided a list of projects, the City would also like an estimate of the costs for each project. PAWW stated that it does not have formal, detailed cost estimates for the listed projects. PAWW has agreed to provide whatever information it has, and such information may be in the form of wide ranges of costs or orders of magnitude “guesstimates.”

With the provision of this information, it is my understanding that all data request responses will be completed. This will allow the parties to move on to resolution of the substantive issues in this proceeding.

Mindful of the costs this formal proceeding is imposing on PAWW and its ratepayers, I again strongly encourage the parties to informally meet and confer regarding an overall resolution to this case.

IT IS RULED that the City of Point Arena's motion is granted as set out above.

Dated June 16, 2003, at San Francisco, California.

/s/ MARIBETH A. BUSHEY

Maribeth A. Bushey
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Granting in Part Motion to Compel on all parties of record in this proceeding or their attorneys of record.

Dated June 16, 2003, at San Francisco, California.

/s/ HELEN FRIEDMAN

Helen Friedman

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.